

CHAMPVA POLICY MANUAL

CHAPTER: 2
SECTION: 15.9
TITLE: OUTPATIENT OBSERVATION STAYS

AUTHORITY: 38 CFR 17.270(a) and 17.272(a)

RELATED REFERENCES: 32 CFR 199.4(c)(2)(iv) and VHA Directive
98-025

I. PROCEDURE CODE(S)

99217, 99218-99220, 99234-99236

II. DESCRIPTION

Outpatient observation stays are performed in a hospital so the patient is in the most appropriate setting to allow evaluation of the patient's condition or determine the necessity for possible admission as an inpatient. An observation patient may occupy a special bed set aside for this purpose and should be evaluated against standard inpatient criteria. These beds are not designed to be a holding area for emergency rooms. Outpatient observation services are provided when ordered by a physician or another individual authorized by state licensure law and hospital staff bylaws.

III. POLICY

A. Outpatient observation stays will not exceed 23 hours.

B. Payment for an observation stay of 23 hours or less will be made based on outpatient guidelines. When more than 23 hours are billed, the claim will be processed as inpatient.

C. If a beneficiary is formally admitted as an inpatient, payment will be made based on an inpatient stay. A beneficiary who is designated as an inpatient must be discharged from inpatient status before being placed in observation stay status. Following the observation period (up to 23 hours), the patient must be re-admitted to inpatient status if further hospitalization is required.

D. Cost sharing of outpatient observation services is covered following care provided in an emergency setting.

E. The time of admission to an observation bed is counted as the first hour of observation and is rounded to the nearest hour. If necessary, verification of time may be obtained from the nursing notes. The number of hours of observation should be indicated in the unit's field on the UB-92 claim form.

F. A separate authorization for outpatient observation is not required.

G. Cost sharing of outpatient mental health observation is covered.

IV. POLICY CONSIDERATIONS

A. Questions regarding medical necessity will be referred for clinical nurse review.

B. ClaimCheck® edits will apply to the outpatient observation codes 99217, 99218-99220, 99234-99236. For example, a patient reports to an ambulatory surgery center for laser removal of cataracts. During the laser procedure, the patient has a reaction to the medication. He/she would be admitted to the observation section by the physician for evaluation of the reaction to the medication.

V. EXCLUSIONS

A. Services that are not reasonable or necessary for the diagnosis and treatment of the patient, but are provided for the benefit of the family or physician.

B. Those services that are provided at an inappropriate level of care.

C. Standing orders for observation following outpatient surgery. For example, routine post-procedure recovery from ambulatory surgery is not considered observation. Recovery from a cardiac catheterization and release from the facility within 6 hours of the completion of the catheterization would not constitute post-surgical observation since the normal recovery time is 4 to 6 hours.

D. Services that were ordered as inpatient services by the physician, but billed as outpatient services by the billing office. For example, the physician orders pre-operative testing, chest x-ray, and labs for a surgical procedure to be performed within 24-hours. These services are considered all-inclusive to the surgery and could not be billed separately as outpatient services.

E. Claims for inpatient care, such as complex surgery that clearly require an overnight stay, but are billed as outpatient.

*** END OF POLICY ***